



The HSA Authority

Advantages of a Health Savings Account from Tower Bank

Portability - Take 100% of the deposited funds with you when you retire or change employers. You are the account owner.

Flexibility - Choose whether to spend on current medical expenses or to save for the future. Unused funds remain in the account from year to year - no "use it or lose it" provisions.

Tax Savings - A Health Savings Account (HSA) offers tax savings in three ways:

- Contributions are tax free (*pre-tax through payroll deductions or tax deductible*)
- Earnings are tax free
- Funds withdrawn for eligible medical expenses are tax free

Premium Savings - HSA qualified insurance plans are usually less expensive than traditional insurance plans.

HSA Basics

A Tower Bank HSA is a tax-advantaged checking account that allows you to save for medical expenses that apply to your insurance deductible. The funds can also be used for other eligible medical expenses such as vision and dental expenses.

To be eligible to open an HSA, you must be enrolled in an HSA qualified Consumer Driven Health Plan (CDHP). Other than coverage for preventative care, you cannot be covered by another insurance plan offering first-dollar medical coverage. Once enrolled in Medicare, you are no longer eligible to contribute to an HSA.

Enrollment in Flexible Spending Accounts (FSAs), other than a limited purpose FSA, and use of VA benefits may make you ineligible for an HSA. You are not eligible for an HSA if someone else can claim you as a tax dependent.

An HSA is an individual account with a single account owner. You may elect to designate an authorized signer on your account who can also access the funds.

Contributions to your HSA

- Annual maximum allowable contributions to an HSA, as established by the IRS for 2011:

Individual - \$3,050
Family - \$6,150

- Individuals 55 and older can make an additional catch-up contribution of \$1,000 in 2011. A married couple can make two catch-up contributions if both spouses are eligible. The spouses must deposit the catch-up contributions into separate accounts.
- The annual maximum contribution is based on a calendar year. There is no limit to the balance that can build in the account over time.
- Contributions can come from:
 - Employee pre-tax payroll withholding
 - Employer contributions (non-taxable income)
 - Individual contributions from account owner or other individual (tax-deductible for account holder)
 - IRA Rollover

Distributions from your HSA

- Withdrawals or distributions from your HSA can be made by check, debit card, ATM, or by request (in person or via telephone).
- Distributions for qualified medical expenses are tax free (refer to back page for examples).
- Distributions made for anything other than qualified medical expenses are subject to IRS tax plus 20% penalty. The penalty is waived if the account owner is 65 or older or due to death or disability.
- You or your authorized signer can make withdrawals for qualified expenses.
- Your tax dependents' qualified medical expenses may be paid from your HSA even if those individuals are not covered on your medical insurance plan (CDHP).
- You are responsible for keeping receipts for all distributions from your HSA. The bank will not monitor how the funds in your account are spent.



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MAKING YOUR HSA WORK FOR YOU

What if...	Your Options
It's early in the year and you are faced with a medical emergency. You have a large hospital bill but do not have the full amount in your HSA to pay your portion.	<ol style="list-style-type: none"> 1. Ask to set up a payment plan. As funds are deposited into your HSA (through payroll withholding, employer contributions or other) you can make payments to the provider using your HSA debit card or checks. 2. Pay the bill with another personal checking account, savings account or credit card and repay yourself as the funds accumulate in your HSA. Be sure to negotiate a discounted price from your provider for paying in full up front. Most providers will agree to a 10%-30% discount.
You receive a bill in the mail from your physician, hospital, lab or urgent care and need to submit a payment. You have the funds available in your HSA.	<ol style="list-style-type: none"> 1. You can write a check from your HSA and mail in the payment. (Be sure that your insurance company has already processed the bill and that you are only paying your portion of the negotiated rate.) 2. You can write your HSA debit card number on the provider invoice and have the payment debited from your account.
You fill a prescription at the pharmacy and need to pay for your medication.	<ol style="list-style-type: none"> 1. You can write a check from your HSA payable to the pharmacy. 2. You can pay using your HSA debit card.
You are at the pharmacy paying for your medication and realize you don't have your HSA debit card or checks with you or you don't have sufficient funds in your account to cover the purchase.	<ol style="list-style-type: none"> 1. You can pay for the purchase with cash, personal credit card, debit card or check and later repay yourself by writing yourself a check from your HSA or making an ATM withdrawal.
You're shopping at your local convenience store and purchase groceries and a prescription at the same time. How should you handle the register transaction?	<ol style="list-style-type: none"> 1. You can ring up your other purchases separately from your medical purchase and use your HSA debit card or checks for the prescription only. 2. You can ring everything up in one transaction, pay with cash or another account and repay yourself for the medical portion of the purchase later from your HSA funds.
You are required to pay for treatment at time of service. Later you receive reimbursement from the provider.	<ol style="list-style-type: none"> 1. Cash the check and pay for other eligible medical expenses. 2. Mail the check to Tower for redeposit to your HSA indicating that it's a reimbursement.

Qualified Medical Expenses:

▼ **Expenses incurred for the diagnosis, cure, mitigation, treatment, or prevention of disease** are eligible expenses. These may or may not apply to your insurance deductible depending on the coverage provided by your medical plan. Eligible expenses include items such as:

- Costs incurred by you or your dependents for physician visits, lab tests, hospital stays or clinic visits
- Prescription drugs

▼ **Vision and dental care expenses** such as glasses, contact lenses and supplies, eye exams, vision correction surgery and orthodontia

Items Generally NOT Considered Eligible Expenses:

▼ **Insurance premiums**, except under limited circumstances which include the following: paying COBRA premiums, health plan premiums paid while receiving federal or state unemployment benefits, qualified long-term care insurance, and medical premiums after age 65 (not supplemental)

▼ **Costs associated with non-medically necessary treatments** such as cosmetic surgery and items meant to improve one's general health (but which are not due to a specific injury, illness or disease) such as health club dues, gym memberships, vitamins and nutritional supplements

▼ **As of January 1, 2011, over-the-counter medicines are not considered eligible expenses** unless you obtain a prescription from a physician.

More details and a list of eligible expenses can be found on our Web site at towerbank.net, or refer to IRS Publication 502 titled "Medical and Dental Expenses" (Catalog No. 15002Q) or Pub. 969 titled "HSA and Other Tax-Favored Health Plans" (Catalog No. 242165). Publications can be ordered from the IRS by calling 1-800-TAX-FORM or online at www.irs.gov.

Open your Health Savings Account Online at www.towerbank.net

Your Employer Code Number: 100366

You will need the following information when you begin.

1. Unexpired government issued ID (driver's license, state issued ID, passport or military ID)
 - For account holder and for the authorized signer, if elected
2. The Social Security Number and date of birth for your beneficiaries
3. The Social Security Number and date of birth for the authorized signer (if elected)

Complete the following steps to apply.

1. Go to www.towerbank.net and click on the blue HSA enrollment button to the left



2. In the enrollment site, click the top option button ("If you have been instructed by your employer..") The prompt to enter your 6-digit employer code will appear. Enter the 6-digit employer code printed above (or contact your benefits administrator to obtain your code).

3. Click "continue" at the bottom of the screen to continue the account opening process. Once you have successfully submitted your enrollment application, you will receive a confirmation number.

Soon after completing your online enrollment, you will receive a welcome letter with your new Health Savings Account information. If you requested a debit card or checks, they will be mailed separately and should arrive shortly following the letter.

To Access your Account: The welcome letter you receive will contain instructions for accessing Tower's online banking site and our 24/7 telephone banking system. Please call Customer Care at 260.427.7007 or toll free at 888.472.8697 if you would like assistance using these services.



Product Features

(Effective October 1, 2010)

- Fees are subject to change, please refer to the Web site for current information -

Enrollment Fee	<ul style="list-style-type: none"> • Free - Online enrollment at www.towerbank.net • \$14.99 - Paper enrollment
Minimum Opening Balance	None
Annual Fee	None
Service Charge	No monthly service charge
Statement Options	Online or paper statements available
Interest Rates	Interest rates may vary based on account balance and statement type (online or paper). Please see separate rate sheet or call for a current rate quote. Rates are subject to change
Monthly Reporting	Monthly paper or online statement itemizes contributions and distributions
Annual IRS Reporting and Updates	5498-SA (contributions), 1099-SA (distributions), and adjustments for prior year contributions
24/7 Automated Telephone Banking	No charge, toll-free number: 888.743.0737
Deposit Processing	Via automatic deposit, mail in service, or in person at any Tower Bank location
Online Banking	No charge. View statement, account activity and balance, front and back of paid checks
Debit Card	Up to two cards free - one each for account owner and signer
ATM Access	<ul style="list-style-type: none"> • Free ATM withdrawals at any Tower Bank ATM • ATM withdrawals at non-Tower ATMs on Alliance One Network - Fees will apply. Refer to bank fee schedule
Check Fees	<ul style="list-style-type: none"> • See Web site for current printing fee per order of 50 checks • No per-check fees
Certificate of Deposit Options	Available. Call for current rates and terms. FDIC insured
Brokerage Investment Options	Available. Brokerage Investments are not a deposit, not FDIC insured, not insured by any Federal Government Agency, not guaranteed by the Bank, may go down in value
Miscellaneous Fees - overdraft, stop pay, and other miscellaneous fees may apply	Per bank fee schedule
Closing/Rollover/Transfer Fee - close account and/or transfer to new custodian	\$20.00

Contact Information:

Customer Care experts available 8am-5pm to answer your HSA banking questions.

Contact: Customer Care: 260.427.7007 • Toll free: 888.HSA.TOWR (888.472.8697)